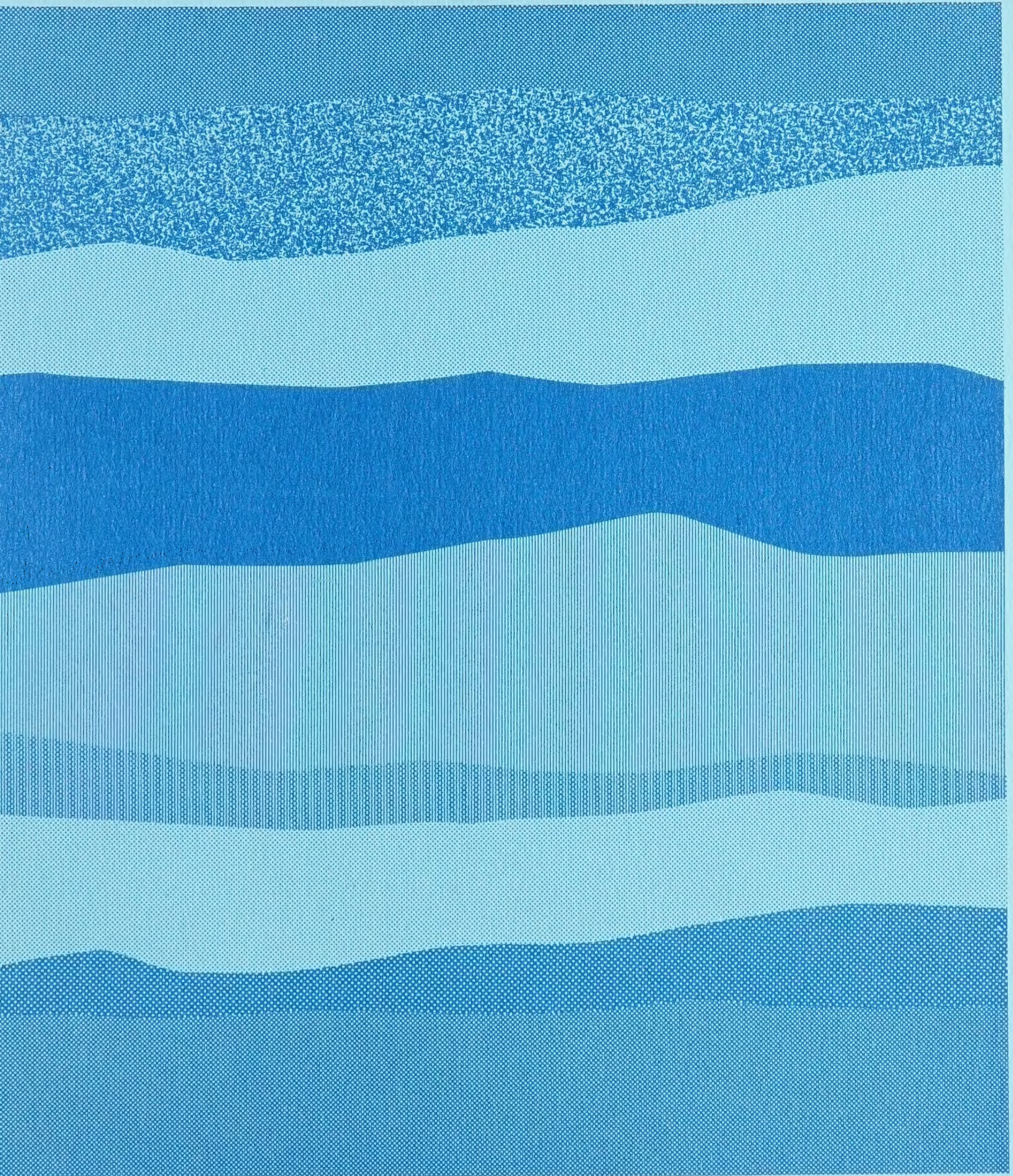


Brenda Mines Ltd

Third Annual Report

December 31 1968

BRENDA MINES LTD.

ANNUAL GENERAL MEETING

WADDINGTON ROOM
VANCOUVER HOTEL

APRIL 30, 1969
11 A.M. VANCOUVER TIME

DIRECTORS

B. O. Brynelsen, Vancouver, B.C.
M. E. Davis, Vancouver, B.C.
M. M. Menzies, Vancouver, B.C.
R. V. Porritt, Toronto, Ontario
A. Powis, Toronto, Ontario
W. S. Row, Toronto, Ontario
Hidemasa Kubo, Tokyo, Japan
Masao Nakamura, Vancouver, B.C.
Thomas Pilkington, Vancouver, B.C.

OFFICERS

B. O. Brynelsen, President
R. V. Porritt, Executive Vice-President
M. E. Davis, Vice President—Finance
M. M. Menzies, Vice President
A. W. Fisher, Secretary

TRANSFER AGENTS

Canada Permanent Trust Company
455 Granville Street, Vancouver

SOLICITORS

Davis, Hossie, Campbell, Brazier & McLorg
14th Floor, 1030 West Georgia Street, Vancouver

AUDITORS

Peat, Marwick, Mitchell & Co., Vancouver

OFFICES

Head Office—
401 - 1111 West Hastings St., Vancouver

Registered Office—
14th Floor, 1030 West Georgia St., Vancouver

Mine Office—
P.O. Box 420, Peachland, B.C.

BRENDA MINES LTD.

DIRECTORS' REPORT TO THE SHAREHOLDERS

I have not had an opportunity of reporting to the shareholders since we issued the Interim Report in late August, 1968 and prior to that when I had an opportunity to address the shareholders at the Annual General Meeting of June 14th, 1968. Since that time I can assure you that the work at the site has progressed rapidly, and although we were faced with an extremely severe winter we were able to accomplish much of what was set out in our original program.

In addition to the adverse weather conditions the operation was plagued with a number of serious labour situations which were fortunately resolved in a reasonably short space of time, but unfortunately, these delays did result in additional costs being incurred and valuable time being wasted.

If we can proceed from this day forward to the completion of the project without any substantial labour or other interruptions we are confident that the project can be completed within the original time scheduled, and also it is estimated that there is a good possibility that the total projected cost for the project of $60,000,000 may be met. Barring unforeseen difficulties we anticipate the start-up date to be in late September or early October of 1969.

As we anticipated, the impact of the Brenda project on the economy of the Okanagan Valley has already made its mark through the influx of many technical and professional people to the area. Of significance is

the fact that at the beginning of April of this year approximately 530 workmen and staff were engaged on the construction project. In other parts of the Province many more people were employed by consultants and firms doing work relative to the development of this large mine.

ORE RESERVES

As reported in our 1968 Annual Report, Noranda Mines Limited have calculated that the proposed pit design contains reserves estimated at 177,000,000 tons grading .183% Cu and .049% Mo. These reserves include 2,000,000 tons to be mined during the first three years grading .212% Cu and .063% Mo. Metallurgical tests have indicated a potential recovery of 88% for copper and 82% for molybdenum in separate concentrates at the grade of ore to be mined initially.

No further work has been done in an attempt to increase the tonnage from that projected by Noranda Mines Limited but our continuing work on the development of the pit has indicated that our grade will approximate that shown above.

CONSTRUCTION PROGRESS TO DATE

I have asked Mr. John Hall, our General Manager, to prepare a summary report to indicate to the shareholders what progress has been made at the site to April 1st, 1969, the text of which follows:

OPEN PIT

"Some 1,160,000 tons of waste was removed during the first quarter of 1969 bringing the total to date to 4,400,000 tons. About 1,210,000 tons was trucked 4½ miles and used as a base for the main tailings dam. The stripping which remains to be done prior to the start of production totals 4,000,000 tons.

Most of the mining equipment has been delivered and is being used for the preparatory stripping which provides a good opportunity to assemble and train an efficient mining and maintenance team. The mining complement has been built up to 111 men. All essential services and facilities for mining are completed and in use.

Detailed information from the stripping operations indicates that there will be somewhat more local variation in ore grade than expected. While this is unlikely to affect the estimated tonnage or grade of the ore body, it may require more selectivity in mining than had been anticipated.

CONSTRUCTION

Engineering and specifications for tenders on buildings and equipment installation are well advanced. Due to a delayed decision as to the purification process for molybdenum concentrate the construction drawings for this section of the mill are somewhat late.

The severe winter conditions and strikes suffered by contractors as well as frustrating labour difficulties on site have unavoidably affected construction progress and costs. Despite this, the administration office, change house, mechanical services and warehouse building and seven staff houses are essentially complete and in use and other buildings are 90% complete. Mechanical and electrical installation for the crushers, screens, conveyors, fine ore storage, concentrator, steam plant and electrical substation is underway after a slow start.

Construction of the tailings and water reclaim system is proceeding and a contract has been awarded for the installation of all pipe lines, pumphouses, cyclone station, and power supply. The new fresh water storage dam at Peachland Lake and the related creek diversion facilities are ready to use and should store enough water from the current run off for this year's operating requirements.

On April 1st, 1969, approximately 530 workmen and staff were engaged at the construction site and another 90 engineers and technicians were employed by engineering consultants.

In spite of the delays encountered the capital cost should be close to the $60,000,000 provided by the financing and the start-up should be close to the September 1, 1969 target."

John Hall

(Signed, John Hall, General Manager)

DIRECTORS' REPORT TO THE SHAREHOLDERS

Continued

Much publicity has been given of late to Bill #23—An Act to Amend the Mines Regulation Act, which recently became law in the Province of British Columbia. As you are aware, this Act requires the mining industry to be responsible for the restoration of strip mined areas to a condition suitable for use for other purposes in the future. I would like our shareholders to be aware that throughout the planning and development of the Brenda project your Directors have been concerned with the effect our operation would have on the Okanagan Valley and the surrounding area. We have made a special effort to ensure that we would in-no-way interfere with the natural resources enjoyed by the people in that area.

Brenda is located in a typical low mountainous area of Interior B.C. with a number of small lakes close at hand, the largest being Peachland Lake. Grazing was the only commercial use for this area before the Brenda project began. Very few people were familiar with the area as only a few men entered the country for deer and moose hunting and fishing. Access to the area was difficult and even in the summer a four wheel drive vehicle was required to negotiate the few roads in existence.

Because of the Brenda project, access to the surrounding natural recreation facilities has been greatly improved. Many more tourists and local residents can now avail themselves of the fishing, hunting, hiking, and other pastimes provided by the excellent terrain which exists in and around Peachland. It is the intention of the Brenda Management to further the accessibility of this area to the tourist industry by providing well maintained roads and special look-out sites for the purpose of acquainting visitors with the Brenda mine.

We feel the mine will not detract from the natural beauty which exists in and around the mine site, but will in fact make many people aware of the existence of these natural assets.

The Brenda project has not progressed to this stage without a great deal of effort being given by the Brenda Directors, Senior Staff and the excellent Project Team provided by Noranda Mines Limited. In addition to thanking those people who are associated with the day to day problems of the development of a project of this size, I wish to acknowledge the co-operation given by Noranda Mines Limited, Nippon Mining Co. Ltd. and the Bank of Nova Scotia.

Submitted on behalf of the Board,

B. O. Brynelsen

B. O. BRYNELSEN,
President.

Dated at Vancouver this 14th day of April, 1969.

Aerial view of Brenda Mine site, September 28, 1968.

BALANCE SHEET

December 31, 1968

(With comparative figures for 1967)

ASSETS

	1968	1967
Current assets:		
Receivables	$ 173,141	$ 149,531
Total current assets	173,141	149,531
Refundable power deposit (Note 1)	2,000,000	1,450,000
Property, plant and equipment, at cost (Notes 2 and 5):		
Mining claims	334,387	205,987
Land, buildings and equipment	27,553,485	1,990,015
	27,887,872	2,196,002
Mine development and preproduction expenditure, per accompanying statement (Notes 2 and 5)	5,610,675	2,988,317
Financing expense (Note 3)	3,648,645	—
Incorporation expense	10,393	10,393
	$39,330,726	$6,794,243

BRENDA MINES LTD.

See accompanying notes to financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY

	1968	*1967*
Current liabilities:		
Bank overdraft	$ 481,793	$ 90,011
Accounts payable and accrued liabilities	5,403,282	794,854
Notes and mortgages payable within one year	158,176	—
Total current liabilities	6,043,251	884,865
Deferred liabilities (Note 3)	25,743,251	2,839,380
Secured notes and mortgages payable	983,757	—
Less amount due within one year	158,176	—
	825,581	—
Shareholders' equity:		
Capital stock (Notes 3 and 4):		
Shares without nominal or par value.		
Authorized 5,000,000 shares; issued 3,736,780 shares	6,718,643	3,069,998
Commitments (Notes 1 and 5).		
	$39,330,726	$6,794,243

Approved on behalf of the Board:

B. Brynelsen

B. BRYNELSEN, Director

M E Davis

M. E. DAVIS, Director

See accompanying notes to financial statements

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Brenda Mines Ltd. as of December 31, 1968 and the statements of mine development and preproduction expenditure and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circun stances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1968 and the results of its operations and the sou ce and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants

Vancouver, British Columbia
April 14, 1969

STATEMENT OF MINE DEVELOPMENT AND PREPRODUCTION EXPENDITURE (NOTE 2)

Year Ended December 31, 1968

	Balance at beginning of period	Expenditure during period	Balance at end of period
Drilling	$ 460,281		$ 460,281
Bulk sampling	361,159		361,159
Engineering works and services	106,420		106,420
Mine preparation	423,369	$1,696,538	2,119,907
Pilot mill engineering and operating costs	262,271		262,271
Surveying	144,762		144,762
General property expense	188,191		188,191
Assaying	64,147		64,147
Supervisory consultants	124,391		124,391
Camp operating	203,213		203,213
Administration (Note 6)	607,507	925,820	1,533,327
Outside exploration	72,200		72,200
	3,017,911	2,622,358	5,640,269
Less interest income	29,594	—	29,594
	$2,988,317	$2,622,358	$5,610,675

BRENDA MINES LTD.

See accompanying notes to financial statements

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1968

(With comparative figures for 1967)

	1968	1967
Funds provided by the issue of:		
Secured income bonds	$22,853,871	$2,783,000
Notes and mortgages payable, non-current portion	825,581	—
Common shares	—	680,000
Total funds provided	23,679,452	3,463,000
Funds applied to:		
Refundable power deposit	550,000	1,375,000
Acquisition of mineral claims	78,400	—
Land, buildings and equipment	25,563,470	1,619,755
Mine development and preproduction expenditure	2,622,358	1,216,736
Total funds applied	28,814,228	4,211,491
Increase in working capital deficiency	$ 5,134,776	$ 748,491

See accompanying notes to financial statements

1. Refundable power deposit:

Under an agreement with the British Columbia Hydro and Power Authority for the supply of electricity to the mine, the company has made deposits aggregating $2,000,000. These deposits bearing interest at 5% will be refundable in equal annual instalments over an eight year period from the date on which the supply of electricity commences. The company is committed to purchase $500,000 of electricity per annum.

2. Cost allocation:

Expenditures which have been included in either building and equipment costs or mine development and preproduction expenses are subject to reallocation between these classifications on completion of the construction programme.

3. Deferred liabilities:

On April 24, 1968, financing arrangements required to bring the property into production were finalized providing for the issue of the following bonds:

Bank of Nova Scotia:	
7.0% first mortgage bonds	$ 4,000,000
7.5% first mortgage bonds	21,000,000
Nippon Mining Co. Ltd. and Mitsui & Co. Ltd.:	
7.3% second mortgage bonds ($6,971,475 U.S. funds)	7,500,000
Noranda Mines Limited or subsidiary company:	
7.2% secured income bonds	27,500,000
	$60,000,000

The bonds are secured respectively by first, second and third fixed and floating charges on the assets of the company. In addition, the 7.0% first mortgage bonds are secured by an assignment of receivables and inventories.

The loans secured by these bonds are repayable out of cash flow (as defined) of the company. The first mortgage bonds mature June 30, 1973, the second mortgage bonds mature five years from the date of completion of the construction programme and the secured income bonds mature December 31, 1977.

As part consideration for the loans Noranda, (or subsidiary) Nippon and Mitsui are to receive respectively 1,740,000, 24,000 and 16,000 fully paid non-assessable common shares. Shares which have been issued pursuant to these provisions to Brynnor Mines Limited, a wholly-owned subsidiary of Noranda, are referred to in Note 4. The ascribed value of the shares issued to Brynnor Mines Limited to December 31, 1968 amounting to $3,648,365 has been shown on the balance sheet as financing expense.

3. Deferred liabilities, continued:

Noranda has undertaken to provide, until July 1, 1973, any additional funds which may be required to complete the construction programme up to a maximum of $15,000,000, secured by income bonds, and, as part consideration therefor, would receive 4 fully paid and non-assessable common shares for each $100 of such additional funds provided.

At December 31, 1968 part of the secured income bonds had been issued and particulars of the deferred liabilities at that date are:

7.2% secured income bonds	$24,965,000
accrued interest	728,251
	25,693,251
Liability for the purchase of certain mineral claims, payable when the secured income bonds have been retired	50,000
	$25,743,251

Among other things, the trust deeds securing the bonds prohibit the payment of dividends until the bonds and accrued interest thereon have been paid in full.

4. Capital stock:

Shares issued:

	Shares	Amount
At December 31, 1967:		
For mining properties	749,980	$ 149,996
For cash	1,660,020	2,920,002
During 1968:		
To Brynnor Mines Limited, pursuant to the financing arrangements described in Note 3, at an ascribed value of $2.75 a share	1,326,780	3,648,645
	3,736,780	$6,718,643

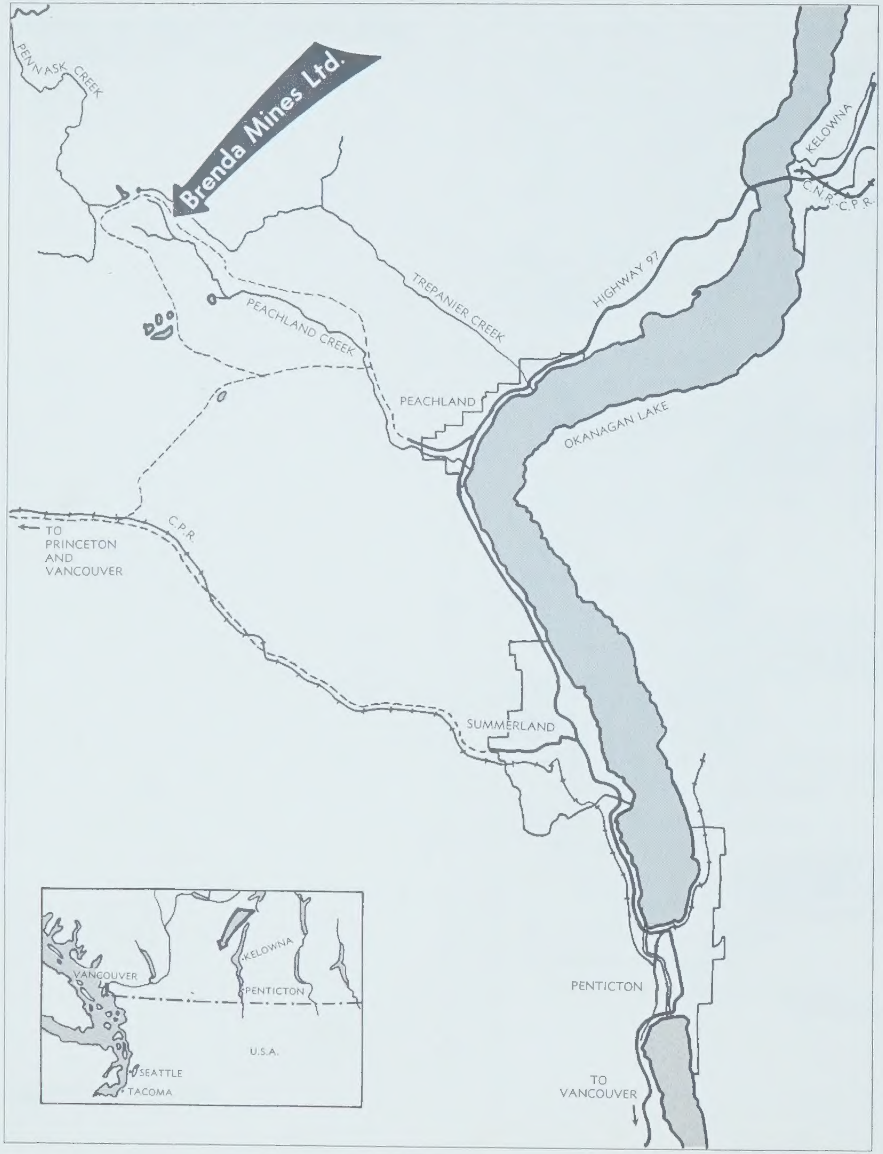
An additional 413,220 shares were issued to Brynnor Mines Limited in March, 1969 at an ascribed value of $2.75 a share.

5. Commitment:

It is estimated that it will cost approximately $60,000,000 to bring the mining property into production. Expenditures have been made to December 31, 1968 amounting to approximately $33,000,000 and contractual obligations entered into at that date amounted to a further $6,000,000.

6. Administration:

Remuneration of the directors and senior officers (as defined by the B.C. Securities Act) amounted to $72,000 during the year.


Brenda Mines Ltd.
PENNASK CREEK
TREPANIER CREEK
PEACHLAND CREEK
HIGHWAY 97
KELOWNA
C.N.R.
C.P.R.
PEACHLAND
OKANAGAN LAKE
C.P.R.
TO PRINCETON AND VANCOUVER
SUMMERLAND
PENTICTON
TO VANCOUVER
VANCOUVER
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